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ANNUAL REPORT - 1967



New file

ABBEEY LIFE INSURANCE COMPANY OF CANADA



ABBEY LIFE INSURANCE COMPANY OF CANADA

DIRECTORS

- James C. H. Anderson, A.S.A.
President, Abbey International Corporation, Atlanta, Georgia
- H. T. Cohn, A.S.A.
Vice President, ITT Financial Services, Inc., New York, N.Y.
- James Firth
President, Firth Brothers Limited, Hamilton, Ontario
- J. Ross Fischer
President, J. Ross Fischer Hotels Limited, Hamilton, Ontario
- Viscount Garnock
John Crossley and Sons Limited, Toronto, Ontario and Halifax, England
- David Goldberg, O.C.
Partner, Christilaw, Wigle, Goldberg and Stanger, Hamilton, Ontario
- P. W. Hankinson
Vice President and General Manager, T. H. & B. Railway, Hamilton, Ontario
- J. G. Haxton
Vice President, Montreal Trust Company, Toronto, Ontario
- Norman G. James, C. L. U.
President, Abbey Life Insurance Company of Canada, Hamilton, Ontario
- G. Albert Lawton, C. L. U.
President, Georgia International Corporation, Atlanta, Georgia
- J. A. H. Mackay
President, ITT Canada Limited, Montreal, P.Q.

ABBEY LIFE of Canada is a member of the Abbey International Group of insurance and financial companies which are associated with the \$2½ billion International Telephone and Telegraph Corporation. Assets under management by members of the Group in several countries exceed \$100 million. The member companies of the international group are as follows:

- | | |
|---|----------------------------|
| Abbey International Corporation | |
| President, James C. H. Anderson, A. S. A. | Atlanta, Georgia, U.S.A. |
| Abbey Life Assurance Company Limited | |
| Managing Director, Mark A. Weinberg | London, England |
| Abbey Leven Nederland N. V. | |
| Directeur, Hans Rozelaar | Amsterdam, The Netherlands |
| Abbey Life Insurance Company of Canada | |
| President, Norman G. James, C. L. U. | Hamilton, Ontario, Canada |
| Abbey International Insurance Company Limited | |
| Abbey Overseas Insurance Company Limited | Nassau |
| Managing Director, Paul S. Potter | The Bahama Islands |



ANNUAL REPORT TO SHAREHOLDERS, 1968

Purchase of over 80% of the Company's outstanding stock by a new shareholder; the paying-in of \$806,000 to capital and surplus; change of name to Abbey Life Insurance Company of Canada; and a notable reduction in the Company's operating costs and loss for the year — these were the highlights of 1967 in your Company.

The tender offer by Abbey International Corporation (formerly Great International Life Insurance Company, Atlanta, Georgia) concluded on November 30th and settlement was made on December 8th, 1967. In addition to acquiring shares of the Company in the hands of the public, Abbey International Corporation also purchased 100,000 shares from Treasury, contributing \$500,000 to capital and \$300,000 to surplus.

The year 1967 was notable for a reduction of almost \$300,000 in costs of operating the Company compared to 1966 and, in spite of an increase of over \$90,000 in the amount transferred to reserves — \$396,454 in 1967 compared to \$302,164 in 1966 — the Company's net loss for the year was cut almost in half. This was accomplished without any reduction in income which, in fact, showed a small gain.

Late in the year, the Abbey name was adopted by the Group and, following approval of the name change at the special Shareholders' Meeting on December 21st, your Company followed suit. At this same meeting, approval was given to the setting up of a special fund to be invested in common stocks and known as the Abbey Bond Fund. This is the basis of a program to develop and offer a new type of life insurance investment policy to Canadians. Combining the growth advantages of a common stock investment with the guarantees of regular life insurance, substantial sales are expected in 1968. However, development of these Abbey Bonds equity-linked life insurance investment policies is expected to increase the Company's operating costs and its deficit in 1968. Funds are being invested to develop the new products, to open a sales outlet in Toronto and to develop a sales organization of Abbey Bondsmen.

Several new Directors joined the Board in 1967, replacing retiring Directors. The Board wishes to express its appreciation to the retiring Directors and to all members of the Company's staff for their loyalty and devotion to its interests during the year.

Cordially,

Norman G. James, C.L.U.
President



BALANCE SHEET AS AT DECEMBER 31, 1967

ASSETS

	1967	1966
	\$	\$
Investments		
Bonds and debentures (note 1)	1,232,606	1,119,418
Mortgages	1,174,024	1,317,099
Common shares (note 2)	44,577	49,355
Short term deposits	860,000	
	<u>3,311,207</u>	<u>2,485,872</u>
Accrued Interest	33,010	28,751
Cash on hand and in banks	61,035	—
Outstanding premiums receivable	35,788	26,242
Other amounts receivable	41,888	9,221
	<u>3,482,928</u>	<u>2,550,086</u>

LIABILITIES, CAPITAL AND SURPLUS

	1967	1966
	\$	\$
Reserve for assurance and annuity contracts	913,701	519,935
Outstanding claims including provision for unreported claims	97,156	60,200
Assurance premiums paid in advance	33,491	26,867
Provision for policyholders' dividends	45,022	25,738
Amounts received with applications not yet allocated	8,321	29,102
Premium taxes payable	6,368	11,977
Other Liabilities	87,844	112,931
Bank loan and overdraft	—	9,292
	<u>1,191,903</u>	<u>796,042</u>
Capital and Surplus (notes 3, 4 and 5)		
Capital stock — Authorized 2,000,000 shares of \$5.00 par value each — Issued 448,110 shares (note 7)	2,240,550	1,736,800
Surplus (note 8)	50,475	17,244
	<u>2,291,025</u>	<u>1,754,044</u>
	<u>3,482,928</u>	<u>2,550,086</u>

NOTES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 1967

1. Bonds

Bonds are carried at amortized cost and the aggregate is \$174,901 (1966 — \$98,525) more than quoted market value.

2. Common Shares

Common shares are carried at cost less a provision for decline in market values and the net amount is \$19,112 (1966 — \$26,205) more than quoted market values.

3. Share Purchase Warrants

At December 31, 1967 there are outstanding 125,000 share purchase warrants which were issued in 1964, and are to be exercised on or before December 31, 1974, at the following prices per share: —

\$15.00 until December 31, 1969
\$17.50 thereafter and until December 31, 1972
\$20.00 thereafter and until December 31, 1974

4. Options to Purchase Shares

There are 69,231 shares reserved for options outstanding of which 67,531 are allocated to sales personnel, agents, general agents and other company personnel and 1,700 granted to certain individuals. All options must be exercised at a price per share of the greater of \$10.00 or 85% of the market value upon certain dates specified by the Board of Directors. The options may be earned by company personnel in accordance with a formula established by the Board of Directors and options to purchase 19,072 shares of the above 67,531 have been earned as at December 31, 1967. No options were exercised during 1967.



SUMMARY OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1967

	1967 \$	1966 \$
INCOME		
Premiums and annuity considerations	1,345,351	1,327,363
Earnings from investments	149,750	146,884
	<u>1,495,101</u>	<u>1,474,247</u>
Less: Net cost of reinsurance	167,778	182,273
	<u>1,327,323</u>	<u>1,291,974</u>
DISTRIBUTION		
For policyholders' and beneficiaries —		
Death, disability, annuity and health insurance benefits	279,588	295,863
To Policyholders' reserves	396,454	302,164
For operating expenses —		
New insurance and field services to policyholders	466,834	601,874
Administration costs in head office and branch offices	430,027	571,680
Premium tax	18,411	20,954
	<u>1,591,314</u>	<u>1,792,535</u>
NET LOSS FOR THE YEAR	<u>263,991</u>	<u>500,561</u>

SUMMARY OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1967

	1967 \$	1966 \$
BALANCE — BEGINNING OF YEAR	17,244	524,356
Add: Surplus arising from the premium on the issue of 100,750 shares	302,250	—
	319,494	524,356
Less: Policyholders' deficit arising from the following:-		
Net loss for the year	263,991	500,561
Provision for loss on investments	5,028	6,551
	<u>269,019</u>	<u>507,112</u>
BALANCE — END OF YEAR (note 8)	<u>50,475</u>	<u>17,244</u>

On behalf of the Board: Norman James, President
David Goldberg, Director

NOTES TO FINANCIAL STATEMENT CONT'D

5. Options to Company Officers

Options to purchase 12,000 shares have been granted to certain officers and former officers of the Company at a price of \$10.00 per share. They are or were earned by service with the Company and must be exercised by April 30, 1974. Options to purchase 6,000 shares have been earned as at December 30, 1967. No options were exercised during 1967.

6. Change of Name

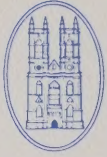
Supplementary letters patent were issued on December 21, 1967 changing the name of the Company from Income Life Insurance Company of Canada to Abbey Life Insurance Company of Canada.

7. Shares Issued

During the year the Company issued 100,750 shares of a par value of \$5.00 each for a cash consideration of \$8.00 each. The proceeds of \$806,000 were allocated \$503,750 to capital and \$302,250 to surplus account.

8. Allocation of Surplus

Under By-law #8 which received the approval of the Shareholders on December 21, 1967, the Company undertook to establish an Abbey Bond Fund as at December 31, 1967 in the amount of \$100,000. This fund was not established until January 4, 1968. If this had been done as of December 31, 1967 the surplus would have shown a deficit position of \$49,525.



ACTUARIAL CERTIFICATE

We have calculated the policy reserves and certain actuarial items which include deferred premiums and collection costs in excess of loading on deferred premiums for the financial statements of Abbey Life Insurance Company of Canada as of December 31, 1967, and the summary of its operations for the year ended December 31, 1967.

In our opinion the reserves for

1. Life insurance and annuity contracts in force on December 31, 1967 of \$906,469.00, and
2. Accident and sickness insurance policies in force on December 31, 1967 of \$7,232.00,

are not less than the reserves required by the provisions of the Ontario Insurance Act, and make good and sufficient provision for all unmatured obligations of the Company under its contracts then in force.

Milliman & Robertson, Inc.
John D. MacPhail, F.S.A., F.C.I.A.
Vice-President

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Abbey Life Insurance Company of Canada as at December 31, 1967, and the related summaries of operations and surplus for the year ended on that date, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have accepted the certification by the Actuary of the Company for the policy reserves and other actuarial liabilities.

Subject to the qualification set out in the preceding paragraph, the accompanying balance sheet and related summaries of operations and surplus, when read in conjunction with the notes thereto, present fairly the financial position of the Company as at December 31, 1967, and the results of its operations for the year ended on that date, in accordance with accounting practices appropriate to the insurance laws of the Province of Ontario, applied on a basis consistent with that of the preceding year.

McDonald, Currie & Co.
Chartered Accountants

ABBEY LIFE INSURANCE COMPANY OF CANADA

Officers

Norman G. James, C.L.U.
President

Nicholas H. Carpenter, F.I.A.
Vice President and Actuary

Hugh D. Haney, F.L.M.I.
Secretary & Chief Administrative Officer

Richard A. Hurd
Treasurer

Gordon E. Dickson, M.A.
Chief Accountant

Advisers

Milliman and Robertson, Inc.
Consulting Actuaries

Bowles and Tillinghast, Inc.
Consulting Actuaries

Montreal Trust Company,
Toronto, Ont., Custodians

Dr. W. J. Walsh,
F.R.C.P.(C), F.A.C.P.(Int. Med.)
Medical Director

Sales Management

Superintendent of General Agencies
N. Bruce Wilton

General Sales Manager, Abbey Bonds Division
Allan Palhares



ABBHEY LIFE INSURANCE COMPANY OF CANADA

OUR CORPORATE OBJECTIVES:

To provide the best possible insurance protection and service to cover the financial hazards of dying too soon, living too long, or of being sick or hurt, for an individual, a family or an association of business or professional people.

To discharge faithfully our responsibility for the security of the funds entrusted to us by our policyowners.

To keep abreast of the changing needs of our present and future policyowners and to continue to develop new forms of coverage to meet these needs. In particular, we are conscious of the need to develop products which will protect our policyowners not only against death, disability and loss of income at retirement, but also against the insidious and destructive hazard of creeping inflation eating away at dollars entrusted to us for future delivery.

To promote dynamic Company growth through vigorous development and expansion of our field organizations and of our marketing and merchandising activities.

To provide continuing employment opportunities for each associate in either Home Office or the Field and to maintain an environment in which each may progress according to his or her desire, ability and performance.

To be a good corporate citizen and welcome responsibilities in civic and insurance industry affairs.



ABBAY LIFE INSURANCE COMPANY OF CANADA

75 JAMES STREET SOUTH, HAMILTON, ONTARIO